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CENTRAL INTELLIGENCE AGENCY  
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31 January 1980

MEMORANDUM

DENMARK: THE TNF ISSUE IN PERSPECTIVE [ ]

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Summary

Gains in the October election by Prime Minister Jorgensen's Social Democratic Party have not made it easier for him to form a clear defense policy or combat Denmark's major economic problems--soaring inflation and a growing balance of payments deficit. The domestic issues pose the greatest near-term threat to the government's survival. Over the longer term, however, Jorgensen is likely to face growing pressure on defense issues including NATO's theater nuclear forces from the more pacifist parliament elected in October. [ ]

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Domestic Political Pressures

The election in October strengthened the Social Democrats, who have led most recent Danish governments, and weakened the nonsocialist opposition. The election also brought an end, at least for the time being, to political cooperation between the Social Democrats and Liberals. [ ]

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Before the elections Anker Jorgensen, the Social Democratic leader who has been Prime Minister since 1975, worked in coalition with the Liberals on a strong anti-inflation program. The Social Democratic left, led by Denmark's major union leader, Thomas Nielsen, brought an end to that cooperation at the party convention in September by forcing Jorgensen to adopt an economic program strongly opposed by his Liberal partners. The Liberals, believing voters would reject Nielsen's program, resigned from

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the government, thus leading Jorgensen to call an early election. This was a serious miscalculation by the Liberals. The Social Democrats and their customary supporters--the Radical Liberal, Left Socialist, and Socialist Peoples parties--gained support, while the potential coalition partners among the nonsocialists lost. [ ]

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Despite the Social Democrats' improved position, Jorgensen had great difficulty enacting the party's economic package before 31 December, when previously adopted austerity measures were due to expire. Nielsen, the powerful leader of Denmark's Central Union organization, continued his efforts to expand union power and pressed hard for a series of controversial changes, such as greater worker participation in corporate policy. This particular scheme involved tight union control of corporate stock that labor had gained through a profit-sharing arrangement. To win the labor support necessary to squelch this proposal, Jorgensen watered down the stiff wage restraints that were central to his economic recovery program. As a result, wages are now expected to increase sharply in the coming year. [ ]

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The inevitable upward push on prices is likely to wipe out the competitive advantage hoped for from two recent currency devaluations. Moreover, politically motivated compromises in proposed tax increases and budget cuts mean that the government will be unable to reduce the 1980 deficit to below the 1979 level or to trim the balance of payments deficit. All of this led the governor of the central bank, Dr. Ereb Hoffmeyer, to publicly attack the government's weak program--a move that encouraged the Radical Liberals to call for parliamentary hearings on the program. [ ]

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The center-right opposition will try to exploit such opportunities, but the government does not face an immediate threat to its survival. The center-right parties are still in disarray after their election losses, polls show continued support for Jorgensen, and the negative effects of his economic compromises have yet to be felt. [ ]

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These effects will begin to show up by spring or summer, however, and if they are accompanied by sliding personal popularity for Jorgensen, the center-right could be encouraged to mount a serious challenge to the government. Even if Jorgensen avoids such a confrontation this spring or summer, the government's political base is almost certain to erode as economic trends continue to worsen. [ ]

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#### The Defense Dimension

On defense issues Jorgensen is giving in to pressure from the more pacifist parliament that was seated in October. Budget cutting has become an important tool in shaping the Danish economy, and the parties

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on the left have demanded cuts in defense spending equal to the cuts in social programs. Before the shift to the left in last fall's election, Jorgensen had replied to NATO pressure for a 3 percent annual increase by saying the 1978-81 defense budget was fixed and could not be changed. He pledged to work for such an increase in the next four-year defense budget. [ ]

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So far, he has failed to do so. The 1981-85 budget, now being negotiated, is likely to project a zero increase for 1981. Spending for 1980 has also been reduced. Further evidence of Soviet aggression could conceivably make the Danes more willing to spend on defense, but government spokesmen have generally tried to separate Moscow's actions in South Asia from detente in Europe. [ ]

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There is only a small chance that the TNF modernization issue could pose a challenge to the government in the near future. Jorgensen succeeded in avoiding such a challenge before the 12 December NATO decision. Although the Danes eventually joined the other allies in the TNF decision, Jorgensen probably reflected a broad Danish consensus in emphasizing arms control and calling for a six-month delay in making the decision. Newly elected pacifist members of parliament could cause problems for Jorgensen, particularly if the belief grows in Denmark that NATO is not taking arms control seriously. To undercut such moves, Jorgensen is likely to make sure he is in the forefront of those urging NATO to pursue such negotiations. [ ]

#### TNF Opinion Makers

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In Denmark, government leaders and prominent officials of the Social Democratic Party are likely to have the major voice in determining how the TNF issue is handled in the future. Jorgensen, for example, has been prime minister five times and is likely to remain the most important figure in Danish politics for some time. He believes that NATO is necessary and that the West must maintain a rough military balance with the Eastern bloc, but his assessment of the West European security environment sometimes differs from prevailing sentiment in NATO. He is strongly influenced by a desire for East-West detente. He is by far the most powerful individual in the SPD, but he cannot carry the party against its will. The SDP presently has a large number of young, radical first-termers in Parliament, and Jorgensen clearly compromised on the TNF issue in order to conserve his influence on other issues (especially his economic program). Jorgensen may be receptive to continued arguments about the need for TNF, but his future stance will depend largely upon domestic political circumstances. Other government and Social Democratic Party figures likely to be important on the TNF issue include:

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Kjeld Olesen

Minister of Foreign Affairs. Olesen has always been regarded as friendly to the United States and pro-NATO. There are indications that he favored TNF modernization, and argued for it in party councils during 1979. When he lost out, however, he presented the SDP compromise proposal with considerable tenacity at the NATO ministerial meeting. Olesen has been cautious about Afghanistan and seems to have accepted the current party outlook. Olesen is an ambitious politician, and given his party's current leftward tilt on defense matters, he will need encouragement if he is to take a leadership role on behalf of NATO proposals. [ ]

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Poul Sogaard

Minister of Defense. Sogaard is a specialist in defense matters and, like Olesen, has strong US connections. Not as influential as Olesen in the party, Sogaard was often relegated to second place in TNF debates and negotiations. Sogaard is competent [ ] and although he favors TNF and defense growth in general, his capacity to affect legislative outcomes is limited. [ ]

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Svend Jakobsen

Minister of Finance. Since entering Jorgensen's first government in 1973, Jakobsen has held five different ministerial posts. Only 44, he has had a reputation for being more an executor of policy than an innovator. In the Finance Ministry, however, he may be achieving greater recognition for leadership. His mild manner and relative youth tend to obscure his political progress, which has been steady and impressive. A leftwing Social Democrat with close ties to labor, he would be a valuable convert to the cause of TNF modernization. He is considered to be friendly toward the United States, but he rarely deals with defense issues, and his current attitude toward NATO is unknown. [ ]

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Svend Auken

Minister of Labor. Another leftwing Social Democrat who is extremely close to the Danish Federation of Labor (LO), Svend Auken was formerly political chairman of the SDP and its deputy leader in parliament. Auken has a number of negative impressions of the United States, although he visited this country as a student at Washington State University in

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1961-62. Only 36, Auken is widely regarded as a possible future leader of the SDP. Except for antiwar statements regarding Vietnam, Auken has said little about foreign relations, but he is probably cool toward defense spending. His main interest is in social issues. There is little chance that he can be convinced TNF is worthwhile, but any moderation of his views could be beneficial to the US. [ ]

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Ivar Norgaard

Minister of Economic Affairs and Environment. Norgaard is an SDP stalwart who is one of the government's most experienced officials on international economics and energy. He is also a member of the party executive committee. He has not taken much interest in security matters, although he has worked harmoniously with US officials on many occasions. [ ]

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Knud Heinesen

SDP parliamentary leader and Minister of Finance during 1975-79. Heinesen is perhaps Prime Minister Jorgensen's closest adviser. Leftwing in orientation, he has nevertheless drawn praise for his pragmatic policies. Heinesen visited the United States in 1963 under the International Visitor Program, and he has returned several times since then. Recently he has been deeply involved in formulating economic policy. Heinesen's connections with young, leftist SDP members would make him a valuable ally in efforts to increase defense forces. [ ]

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Poul Dalsager

Minister of Agriculture and Fisheries. Dalsager was Heinesen's predecessor as SDP leader in Parliament and is worth cultivating for that reason. He is believed to be friendly toward the United States, although he is not involved in security issues. [ ]

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Karl Hjortnaes

Minister of Taxation. A leftwinger and one of Jorgensen's inner circle of economic advisers, Hjortnaes has also been the party's deputy chairman in Parliament. Like many SDP leaders, he has shown little interest in security affairs, and ascribing less importance to them than to social issues. He is currently under attack by other parties for allegedly having underpaid his taxes. [ ]

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K. B. Andersen

Minister of Foreign Affairs during much of the 1970s. Andersen "retired" to become president of Parliament in 1979. Although that post is largely ceremonial, Andersen's advice on international affairs probably still carries some weight within the SDP. As Foreign Minister, Andersen was generally sympathetic to US positions on security issues, but like the Prime Minister he places priority on detente. [REDACTED]

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Ole Espersen

SDP spokesman in Parliament, a former Minister of Justice, and member of the "old" European Parliament. Ole Espersen has little knowledge of defense matters and had admitted that he knows little about TNF. A leftwinger and an international lawyer, he refused comment on TNF until after the party had decided its position in December 1979. He then defended the six-month postponement idea, stressing that funds to be used for TNF could be better employed in the Third World. [REDACTED]

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Lasse Budtz

An SDP defense spokesman. A prolific writer and speaker on defense and the Atlantic Alliance, Budtz is pro-NATO, but he also supports measures aimed at furthering detente. He is sensitive to the political limitations on Danish defense spending. [REDACTED]

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Leaders of other parties comprise a second category of influential people:

Henning  
Christophersen

Liberal party leader of Parliament, Minister of Foreign Affairs in the SDP-Liberal coalition government from August 1978 until October 1979. Christophersen is believed to be more favorably disposed toward TNF than most SDP members. He has not been especially forthright on the issue, however, and recently he has been very cautious in statements on Afghanistan. He has been unwilling to go so far as to "condemn" Soviet actions there. The Liberals have 22 seats in the 179-seat Parliament. [REDACTED]

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Poul Schluter

Conservative leader in Parliament. Schluter's party made strong gains in the October 1979 elections while the Liberals lost ground. This put the two parties even in parliamentary representation. The Conservatives can generally be counted on to support TNF quietly and to vote for modernization if the issue return to the legislative arena, but Schluter has not gone out of his way to issue statements on the subject. He and his party advocate an increased defense budget. [REDACTED]

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Erhard Jakobsen

Chairman of Center Democratic Party. Jakobsen leads a small (six seat) party that is the most pro-NATO group in the Parliament. During the 1979 election campaign, he stated that Denmark should demonstrate its allegiance to NATO by allowing nuclear weapons on its soil--a step that has never been taken. The Center Democrats subsequently lost several seats in the election. [ ]

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Palle Simonsen

Chairman of the Parliament's Defense Committee. Simonsen's views are similar to those of Schluter, the leader of his party. Simonsen is vice chairman of the Conservatives. [ ]

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A third category of influential people consists of permanent officials in the ministries. Most of these personally favor a strengthening of the Alliance, but are constrained somewhat by the policies of their superiors.

Ole Bierring

Director of Political Affairs, MFA. Bierring is an impressive and ambitious diplomat. He understands NATO issues and is accustomed to working with Americans, having been Deputy Permanent Representative to NATO, as well as director of North American affairs at the MFA. He has also studied at Princeton and served for two years at the Danish Embassy in Washington. He is close to the present Danish Ambassador, Otto Borch. [ ]

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Peter Dyvig

Deputy Undersecretary of Political Affairs, MFA. Dyvig is Bierring's deputy and a frequent point of contact for US officials. He has already been deeply involved in the TNF question. Sensitive to defense needs, he was clearly disappointed by the government's stand in December. He implied in November 1979 that he did not expect the USSR to freeze its forces and negotiate, but he thought that conciliatory initiatives on the part of the West made it easier to generate support for NATO within Denmark. [ ]

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Torben Frost

Director of Security Policy, MFA. Frost is another frequent interlocutor of US officials and probably favors TNF modernization. Like his boss, he may be able to affect the views of Olesen and Jorgensen to some extent, but he usually ends up implementing a policy over which he has no control. [ ]

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William  
Friis-Moller

Director of Western European, Eastern European, and North American Affairs, MFA. During 1974-77 Friis-Moller was in charge of CSCE affairs in the MFA. He has been friendly with US officials and eager to discuss the affairs of his office with them. [REDACTED]

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Finally, in a category by himself, is Thomas Nielsen, President of the Danish Federation of Labor (LO). Nielsen heads the federation to which the majority of Denmark's organized workers belong. The LO is also the main pressure group supporting the Social Democratic Party, a fact that gives Nielsen great political influence. He has continually pressed Jorgensen for programs that will benefit labor and has feuded with Jorgensen when the resulting programs have not satisfied him. Nielsen has had a cordial relationship with US officials over the years, but his cordiality has not extended to supporting defense spending. Any persuasion of Nielsen on TNF would be invaluable, but it is also extremely unlikely. [REDACTED]

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